

Pillar 3 disclosures

As at 30th June 2014

UBI  **Banca**
UNIONE DI BANCHE ITALIANE

Joint stock co-operative company
Registered office: Bergamo, Piazza Vittorio Veneto 8
Operating offices: Bergamo, Piazza Vittorio Veneto 8; Brescia, Via Cefalonia 74
Member of the Interbank Deposit Protection Fund and the National Guarantee Fund
Tax Code, VAT No. and Bergamo Company Registration No. 03053920165
ABI (Italian Banking Association) 3111.2 Register of Banks No. 5678 Register of banking groups No. 3111.2
Parent of the Unione di Banche Italiane Banking Group
Share capital on 8th August 2014: €2,254,371,430 fully paid up

www.ubibanca.it

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Introduction

The new prudential rules for banks and investment companies contained in EU Regulation 575/2013 (the Capital Requirements Regulation, known as the CRR) and in the EU Directive 2013/36/EU (the Capital Requirements Directive, known as CRD IV), came into force on 1st January 2014. These transpose standards defined by the Basel Committee on Banking Supervision (known as the Basel 3 framework) into European Union regulations. The CRR comes directly into force in member states, while the regulations contained in CRD IV require implementation through national legislation.

On conclusion of a public consultation process started last November, on 17th December 2013 the Bank of Italy published Circular No. 285 “Rules for prudential supervision of banks”, which implements the new EU regulations.

The Pillar 3 Disclosures are regulated directly by Part Eight and Part Ten (Title I, Chapter 3) of the CRR and by regulatory and implementation provisions issued by the European Commission¹, to regulate the following:

- standard templates for the public disclosure of information on own funds (regulatory capital);
- standard templates for the public disclosure of information on own funds in the period running from 1st January 2014 to 31st December 2021;
- disclosure obligations concerning reserves in equity;
- standard templates for the disclosure of information on indicators of systemic importance;
- disclosures concerning balance sheet assets free from encumbrances;
- standard templates for the disclosure of information on leverage ratios.

As opposed to previously, the regulation does not require special tables for the other information subject to disclosure in which the quantitative and qualitative information which banks must publish is classified.

The CRR also requires intermediaries to disclose information on at least an annual basis jointly with financial statements and to assess the need to publish some of or all the information requested more frequently than once a year, in the light of the more important characteristics of their activities.

In continuation with past practice, the UBI Group intends to continue to make Pillar 3 disclosures on at least a quarterly basis, providing an update of the information considered most important.

More specifically, this document, which reports the position of the UBI Group as at 30th June 2014, gives an update of quantitative information relating to own funds, capital requirements and credit, counterparty and interest rate risks. All information expressly required by the CRR will be published in the Pillar 3 Disclosures as at 31st December 2014.

¹ The “Regulatory Technical Standard” – RTS and “Implementing Technical Standard” – ITS respectively.

The document Pillar 3 Disclosures as at 31st December 2013 may be consulted for information not contained in this document. Furthermore, any significant changes that occurred during the first half of 2014 are reported in this disclosure document.

For full information, the information published relates to the regulatory consolidation, which consists of those entities subject to banking consolidation for regulatory purposes. Any differences with respect to other sources (e.g. the Interim Financial Report prepared as at the same balance sheet date) are therefore attributable to differences in the scope of consolidation considered.

The UBI Banca Group has published this Pillar 3 Disclosures document on its website in the investor relations section (www.ubibanca.it).

NOTE: all the figures contained in the disclosures sections are stated in thousands of euro, unless otherwise stated.

Risk management objectives and policies

Qualitative information

As already reported in Pillar 3 disclosures as at 31st December 2013, on 2nd July 2013 the Bank of Italy issued new provisions on the “System of internal controls, the reporting system and operational continuity” (Prudential supervision of banks – Circular No. 263 of 27th December 2006 – 15th update) with effect from 1st July 2014.

These provisions introduced important changes to the regulatory framework in order to furnish banks with a complete, adequate, functional and reliable system of internal controls, by regulating, amongst other things, the following: the role of corporate bodies within the internal control system; the role of corporate control functions, the outsourcing of corporate functions, the IT system and operational continuity.

The results of gap analysis carried out and the compliance actions identified are illustrated in the self-assessment report submitted to the supervisory authority in January 2014. These actions are being implemented in the second stage of the project, which was started in February 2014 and is still in progress.

The required regulatory compliance actions were carried out before the deadline set (1st July 2014), with particular reference to the following:

- internal control system – regulates guidelines, roles, duties and responsibilities of the corporate bodies and control functions of the Parent and its subsidiaries and also the relative co-ordination procedures;
- outsourcing of corporate functions – regulations for decision-making processes, controls and the relative lines of reporting, as well as the main roles and responsibilities of the persons involved;
- risk appetite framework (RAF) – definition of the main roles and responsibilities assigned to the units involved in activities to define, implement and monitor the RAF; RAF training processes and approval and the main reporting lines between the Group units involved;
- compliance, risk control and internal audit – update and establishment of the main roles and responsibilities, the processes and the relative lines of reporting of these functions;
- operational continuity – update of the Operational Continuity Programme in compliance with the new provisions.

In compliance with the above-mentioned provisions, in meetings held on 24th June and 1st July 2014, the Management Board and the Supervisory Board respectively approved, each within the scope of their responsibilities, a series of changes to the organisational structure of the Parent.

In detail, with effect from 14th July 2014:

- the Compliance Area was moved and now reports directly to the Chief Executive Officer, while the following compliance activities were confirmed within it: banking services, investment services and co-ordination of compliance in Group companies;
- an Advisory and Tax Compliance Service was created on the staff of the Chief Financial Officer;
- changes were made to the units headed by the Chief Risk Officer (CRO) as follows:
 - the Risk Governance Service was moved to the staff of the CRO;
 - the official establishment of a Credit Risk Control Area (reporting directly to the CRO), which brings together a number of units that specialise in control of the credit portfolio, the Asset Quality Review (AQR) and oversight of Group ratings;
 - a partial change in the composition and renaming of the remaining areas that report to the CRO: the Financial and Operational Risk and Structural Balance Control Area and the Money-laundering and Claims Risk Control Area.

Scope of application

Qualitative information

The table further below lists the consolidated companies as at 30th June 2014, with an indication of the different treatment for statutory accounting and supervisory purposes. The main changes compared to 31st December 2013 are as follows:

- UBI Leasing Spa: in order to provide a more adequate level of capitalisation, on 30th November 2012 an extraordinary shareholders' meeting of UBI Leasing approved an increase in the share capital up to a maximum limit of €400 million, inclusive of any share premium. On 2nd January 2013, the subscription of the first tranche of a share capital increase was launched (concluded on the following 21st January, with the purchase of all the shares relating to the options not taken up) and fully subscribed by UBI Banca for €300 million, with the issue of 50,000,000 new shares with a nominal value of €6 and no share premium. As at 31st December 2013 the share capital of UBI Leasing had therefore risen to €541,557,810, with 99.5507% held by the Parent. Under that same authorisation, on 12th March 2014 the Board of Directors resolved to issue a second tranche to increase the share capital by a further €100 million (rounded down to €99,999,996 to take account of the nominal value of the shares of €6 each). The issue was offered for subscription by shareholders in compliance with the provisions of paragraphs 1, 2 and 3 of article 2441 of the Italian Civil Code. A period of 30 days from the date of filing the resolution with the Company Registrar (which occurred on 13th March 2014 and was valid as a publication of the offering pursuant to paragraph 2 of article 2441 of the Italian Civil Code) was given to exercise option rights. UBI Banca exercised its options on 19th March 2014 and subscribed 16,591,780 shares for a total of €99,550,680. Since the other shareholder had not exercised its option rights, at the end of the exercise period, on 15th April 2014 UBI Banca purchased all the 74,886 shares not taken up (for a total of €449,316). Therefore as at 30th June 2014, the Parent's percentage control had risen to 99.6207%, while the share capital had reached €641,557,806;
- BPB Funding Llc, BPB Capital Trust, Banca Lombarda Preferred Capital Company Llc, Banca Lombarda Preferred Securities Trust, BPCI Funding Llc, BPCI Capital Trust: following the early redemption of three series of innovative equity instruments (preference shares)² on 15th February 2014 (BPB Capital Trust), 10th March 2014 (Banca Lombarda Preferred Securities Trust) and 27th March 2014 (BPCI Capital Trust) respectively, the Group commenced activity to close all the companies involved in the operation. Having received prior authorisation from the Bank of Italy on 24th December 2013, that activity was completed on 23rd May (for the companies relating to the former BPB and former BPCI) and on 18th June (for the former BL), with confirmation received from the American authorities responsible for the legal removal of the companies from the relative register. Therefore the six companies no longer appear in the consolidation from 30th June 2014;
- Prisma Srl: on 9th April 2014 this company, an equity accounted investee in which a 20% interest in the share capital was held, was sold to Cattolica Assicurazioni for €28,000.

² See Pillar 3 disclosures as at 31st March 2014 for further details.

Entities consolidated as at 30/06/2014 for statutory accounting and supervisory purposes

Name	Headquarters	Type of relationship	Details of investment		Treatment for statutory accounting purposes	Treatment for supervisory purposes	Type of activity
			Investing company	% held			
A.1 Fully consolidated companies							
1. Unione di Banche Italiane Scpa - UBI Banca	Bergamo				Line-by-line	Line-by-line	Bank
2. Banca Carime Spa	Cosenza	1	UBI Banca Scpa	92.839%	Line-by-line	Line-by-line	Bank
3. Banca di Valle Camonica Spa	Breno (Brescia)	1	UBI Banca Scpa	74.244%	Line-by-line	Line-by-line	Bank
			Banco di Brescia Spa	8.716%			
4. UBI Banca Private Investment Spa	Brescia	1	UBI Banca Scpa	100.000%	Line-by-line	Line-by-line	Bank
5. Banca Popolare Commercio e Industria Spa	Milan	1	UBI Banca Scpa	75.077%	Line-by-line	Line-by-line	Bank
6. Banca Popolare di Ancona Spa	Jesi (AN)	1	UBI Banca Scpa	93.020%	Line-by-line	Line-by-line	Bank
7. Banca Popolare di Bergamo Spa	Bergamo	1	UBI Banca Scpa	100.000%	Line-by-line	Line-by-line	Bank
8. Banca Regionale Europea Spa	Cuneo	1	UBI Banca Scpa	74.753%	Line-by-line	Line-by-line	Bank
9. Banco di Brescia Spa	Brescia	1	UBI Banca Scpa	100.000%	Line-by-line	Line-by-line	Bank
10. UBI CAPITAL Singapore Pte Ltd	Singapore	1	UBI Banca International Sa	100.000%	Line-by-line	Line-by-line	Financial
11. BPB Immobiliare Srl	Bergamo	1	UBI Banca Scpa	100.000%	Line-by-line	Line-by-line	Instrumental
12. UBI Leasing Spa	Brescia	1	UBI Banca Scpa	99.621%	Line-by-line	Line-by-line	Financial
13. Prestitalia Spa	Bergamo	1	UBI Banca Scpa	100.000%	Line-by-line	Line-by-line	Financial
14. UBI Factor Spa	Milan	1	UBI Banca Scpa	100.000%	Line-by-line	Line-by-line	Financial
15. Centrobanca Sviluppo Impresa SGR Spa	Milan	1	UBI Banca Scpa	100.000%	Line-by-line	Line-by-line	Financial
16. Coralis Rent Srl	Milan	1	UBI Banca Scpa	100.000%	Line-by-line	RWA	Other
17. 24-7 Finance Srl	Brescia		UBI Banca Scpa	10.000%	Line-by-line	Line-by-line	Financial
18. UBI Trustee Sa	Luxembourg	1	UBI Banca International Sa	100.000%	Line-by-line	Line-by-line	Financial
19. IW Bank Spa	Milan	1	UBI Banca Scpa	100.000%	Line-by-line	Line-by-line	Bank
20. UBI Finance 3	Brescia		UBI Banca Scpa	10.000%	Line-by-line	Line-by-line	Financial
21. UBI Finance CB 2 Srl	Milan	1	UBI Banca Scpa	60.000%	Line-by-line	Line-by-line	Financial
22. Lombarda Lease Finance 4 Srl	Brescia		UBI Banca Scpa	10.000%	Line-by-line	Line-by-line	Financial
23. UBI Management Company Sa	Luxembourg	1	UBI Pramerica Sgr Spa	100.000%	Line-by-line	Line-by-line	Financial
24. UBI Finance 2 Srl	Brescia		UBI Banca Scpa	10.000%	Line-by-line	Line-by-line	Financial
25. UBI Finance Srl	Milan	1	UBI Banca Scpa	60.000%	Line-by-line	Line-by-line	Financial
26. Società Bresciana Immobiliare - Mobiliare SBIM Spa	Brescia	1	UBI Banca Scpa	100.000%	Line-by-line	Line-by-line	Instrumental
27. UBI Gestioni Fiduciarie Sim Spa	Brescia	1	UBI Fiduciaria Spa	100.000%	Line-by-line	Line-by-line	Financial
28. Società Lombarda Immobiliare Spa - SOLIMM	Brescia	1	UBI Banca Scpa	100.000%	Line-by-line	Line-by-line	Instrumental
29. UBI Fiduciaria Spa	Brescia	1	UBI Banca Scpa	100.000%	Line-by-line	Line-by-line	Financial
30. UBI Banca International SA	Luxembourg	1	UBI Banca Scpa	91.196%	Line-by-line	Line-by-line	Bank
			Banco di Brescia Spa	5.483%			
			Banca Regionale Europea Spa	0.162%			
			Banca Popolare di Bergamo Spa	3.160%			
31. UBI Pramerica SGR Spa	Milan	1	UBI Banca Scpa	65.000%	Line-by-line	Line-by-line	Financial
32. UBI Lease Finance 5 Srl	Brescia		UBI Banca Scpa	10.000%	Line-by-line	Line-by-line	Financial
33. UBI Sistemi e Servizi Scpa	Brescia	1	UBI Banca Scpa	71.870%	Line-by-line	Line-by-line	Instrumental
			Banca Popolare di Bergamo Spa	2.877%			
			Banco di Brescia Spa	2.877%			
			Banca Popolare Commercio e Industria Spa	2.877%			
			Banca Popolare di Ancona Spa	2.877%			
			Banca Carime Spa	2.877%			
			Banca Regionale Europea Spa	4.315%			
			Banca di Valle Camonica Spa	1.438%			
			UBI Banca Private Investment Spa	1.438%			
			UBI Pramerica Sgr Spa	1.438%			
			Prestitalia Spa	0.072%			
			IW Bank Spa	2.876%			
			UBI Academy Scrl	0.010%			
			UBI Factor Spa	0.719%			
34. UBI SPV BBS 2012 Srl	Milan		UBI Banca Scpa	10.000%	Line-by-line	Line-by-line	Financial
35. UBI SPV BPCI 2012 Srl	Milan		UBI Banca Scpa	10.000%	Line-by-line	Line-by-line	Financial
36. UBI SPV BPA 2012 Srl	Milan		UBI Banca Scpa	10.000%	Line-by-line	Line-by-line	Financial
37. UBI Academy Scrl	Bergamo	1	UBI Banca Scpa	68.500%	Line-by-line	Line-by-line	Instrumental
			Banca Popolare di Bergamo Spa	3.000%			
			Banco di Brescia Spa	3.000%			
			Banca Popolare Commercio e Industria Spa	3.000%			
			Banca Popolare di Ancona Spa	3.000%			
			Banca Carime Spa	3.000%			
			Banca Regionale Europea Spa	3.000%			
			Banca di Valle Camonica Spa	1.500%			
			UBI Banca Private Investment Spa	1.500%			
			UBI Pramerica Sgr Spa	1.500%			
			Prestitalia Spa	1.500%			
			IW Bank Spa	1.500%			
			UBI Leasing Spa	1.500%			

Name	Headquarters	Type of relationship	Details of investment		Treatment for statutory accounting purposes	Treatment for supervisory purposes	Type of activity
			Investing company	% held			
			UBI Sistemi e Servizi Scpa	3.000%			
			UBI Factor Spa	1.500%			
A.2 Companies accounted for using the equity method							
1. Aviva Assicurazioni Vita Spa	Milan	3	UBI Banca Scpa	49.999%	Equity method	Deducted from Reg. Cap.	Insurance
2. Aviva Vita Spa	Milan	3	UBI Banca Scpa	50.000%	Equity method	Deducted from Reg. Cap.	Insurance
3. Polis Fondi SGR	Milan	3	UBI Banca Scpa	19.600%	Equity method	Deducted from Reg. Cap.	Financial
4. Zhong Ou Fund Management	Shenzen (China)	3	UBI Banca Scpa	35.000%	Equity method	Deducted from Reg. Cap.	Financial
5. Lombarda Vita Spa	Brescia	3	UBI Banca Scpa	40.000%	Equity method	Deducted from Reg. Cap.	Insurance
6. SF Consulting Srl	Mantua	3	UBI Banca Scpa	35.000%	Equity method	RWA	Other
7. UBI Assicurazioni Spa	Milan	3	UBI Banca Scpa	49.999%	Equity method	Deducted from Reg. Cap.	Insurance
8. UFI Servizi Srl	Rome	3	Prestitalia Spa	23.167%	Equity method	RWA	Other

Legend

Type of relationship.

1 = Majority of voting rights in ordinary general meetings

2 = Joint control

3 = Significant influence

Quantitative information

Operations to increase share capital were approved during the first half designed, amongst other things, to ensure compliance with prudential limits set by the Supervisory Board within the Risk Appetite Framework:

- IW Bank Spa: on 7th May 2014 this bank's Board of Directors approved an increase in the share capital up to a maximum of €12 million, authorised by the Bank of Italy with a provision issued on 28th July 2014, which will be submitted to a forthcoming Extraordinary Shareholders' Meeting. This increase – to be drawn from the “reserve for future capital increases” of approximately €60.2 million, generated in 2011 by a payment made by UBI Banca to meet a situation of particular volatility on markets which had had a negative impact on this bank's equity due to the fall in the value of its proprietary securities portfolio – became advisable because the aforementioned “reserve” is only included in equity for statutory accounting purposes and not for regulatory purposes. In consideration of the policy set by the Management Board of UBI Banca on 11th March 2014 (that following the increase in capital the remaining amount of the payment mentioned should be repaid) and in view of the recovery in prices which progressively reduced the negative reserve for government securities to zero, together with the increase in equity resulting from retained earnings in the years 2011-2013 (€16.7 million), IW Bank resolved to proceed as follows:
 - to eliminate the nominal value of shares outstanding (in application of article 2346, paragraph 3 of the Italian Civil Code), while the characteristics and entitlement on the outstanding shares remain unchanged;
 - to cancel the 831,168 treasury shares held in portfolio, with a consequent redetermination of the total shares to number 72,788,012. The cancellation took place at the same time as the share capital was reduced (unchanged at the current amount of €18,404,795) and therefore resulted in an increase in the value of each share as a percentage of the share capital;
 - an increase in the share capital, in a single issue, offered as an option to UBI Banca in accordance with article 2441 of the Italian civil code for €1,764,705 with a total share premium of €10,235,289, to be performed by the issuance of 7,058,820 shares at a price of €1.70 per share (of which €0.25 as a capital contribution and therefore included in the share capital and €1.45 as a share premium to give a total of €11,999,994);

- to be carried out by drawing on the “reserve for future capital increases” created following a payment for a total of €60,179,000 made by the Parent in September 2011 for the corresponding amount of €11,999,994. After the capital increase that reserve will amount to €48,179,006 and a proposal will be submitted to an Ordinary Shareholders’ Meeting to repay that sum to UBI Banca;
 - the operation is expected to be concluded by the end of the year.
- o Banca di Valle Camonica Spa: on 6th May 2014 the Board of Directors approved a proposal to increase the share capital by a maximum of €30 million to be submitted to an Extraordinary Shareholders’ Meeting. With account taken of presence of non-controlling shareholders in the shareholder base of Banca di Valle Camonica, this operation, authorised by the Bank of Italy with a provision issued on 28th July 2014, will be carried out with the issue of a maximum of 438,190 new shares with a nominal value of one euro each and normal dividend entitlement, to be offered as an option to shareholders, with four new shares offered for every 25 old shares held, at a price of €68 each with an increase in the final capital by €29,796,920. Since the competent bodies of the Parent have already approved exercise of its option right and also pre-emption rights on options not taken up, the increase in the capital should be fully subscribed, with an increase in the share capital from €2,738,693 to €3,176,883. It is expected that the operation will be concluded by the end of the year.

Own funds

Quantitative information

In compliance with transitory measures concerning own funds contained in Part II, Chapter 14 of Bank of Italy Circular No. 285 of 17th December 2013 (“Supervisory provisions for banks”), advantage was taken in the calculation of regulatory capital as at 30th June of the option to not include unrealised gains or losses relating to exposures to central governments classified within “available-for-sale financial assets” in any element of own funds. That option was exercised within the time limit set of 31st January 2014 and was applied at individual company and at consolidated level.

As at 30th June 2014, the Common Equity Tier 1 Capital (CET1) of the UBI Banca Group amounted to approximately €7.7 billion and total own funds to almost €10.9 billion. Compared with March 2014, the CET1 recorded an increase largely attributable to the inclusion, net of the pro rata provision made for the potential distribution of a dividend, of the result for the period (excluded, however, in the calculation of capital ratios as at 31st March 2014 in accordance with supervisory regulations).

The Tier 2 capital, on the other hand, fell from €3.4 billion as at 31st March 2014 to €3.2 billion primarily due to the amortisation of subordinated securities. As opposed the previous regulations, under the framework established by the CRR, amortisation occurs on the basis of the days remaining in the life of the instrument.

As a result of the performance reported above, total own funds fell slightly.

The table below gives details of the items of which the regulatory capital was composed as at 30th June 2014.

CAPITAL ITEM	30.06.2014 BASEL 3	31.03.2014 BASEL 3
Common Equity Tier 1 (CET1) capital instruments	2,254,371	2,254,371
CET1 capital share premium accounts	4,716,866	4,716,866
Reserves	3,560,888	3,484,559
<i>(i) retained earnings</i>	1,516,321	1,439,992
<i>(ii) other reserves</i>	2,044,567	2,044,567
Direct and indirect holdings of own CET1 instruments	-135,321	-132,076
Accumulated other comprehensive income (AOCI)	137,289	90,582
Regulatory adjustments relating to unrealised gains or losses	-163,406	-125,046
Minority interests	673,176	673,296
<i>(i) amount allowed in consolidated CET1</i>	297,575	289,991
<i>(ii) amount qualifying under transitional provisions</i>	375,601	383,305
CET1 prudential filters	-2,811	-5,191
Intangible assets (net of related tax liability)	-2,857,518	-2,862,627
<i>(i) goodwill</i>	-2,549,248	-2,549,249
<i>(i) other intangible assets</i>	-308,269	-313,378
Negative amounts resulting from the calculation of expected loss amounts (shortfall on IRB positions)	-519,438	-535,172
<i>(i) shortfall on IRB positions eligible for inclusion in CET 1 under transitional provisions</i>	-186,293	-178,391
<i>(i) shortfall on qualifying AT1 IRB positions that exceed the AT1 capital of the institution</i>	-333,145	-356,782
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	0	-37,056
COMMON EQUITY TIER 1 CAPITAL	7,664,095	7,522,507
Additional Tier 1 instruments and the related share premium accounts	39,441	0
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	-372,586	-356,782
Negative amounts on qualifying IRB positions that exceed the AT1 capital of the institution	333,145	356,782
TIER 1 (T1) CAPITAL	7,664,095	7,522,507
Tier 2 (T2) capital instruments and the related share premium accounts	3,527,869	3,688,037
Amount of qualifying items referred to in Article 484 (5) and the related share premium account subject to phase out from T2	19,376	31,835
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	-357,803	-356,782
Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	-41,567	-41,432
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR treatment	41,438	52,237
TIER 2 (T2) CAPITAL	3,189,313	3,373,895
TOTAL CAPITAL (TC=T1+T2)	10,853,409	10,896,402

Capital requirements

Quantitative information

The table below summarises the fulfilment of capital requirements in terms of capital ratios and it gives details of the various capital requirements.

	Capital requirement 30.06.2014	Capital requirement 31.03.2014
CREDIT AND COUNTERPARTY RISK		
- Total credit risk	4,364,284.00	4,404,524.00
- Total counterparty risk	50,642.00	44,616.00
Total credit and counterparty risk	4,414,926.00	4,449,140.00
MARKET RISK - Standardised approach		
- position risk in debt instruments	53,754.00	80,995.00
- position risk in equity instruments	1,021.00	
- currency risk	953.00	22,540.00
- position risk in commodities	-	
Total market risk	55,728.00	103,535.00
OPERATIONAL RISK		
Basic indicator approach	3,200.00	3,200.00
Standardised approach	46,989.00	46,989.00
Advanced measurement approach	283,584.00	308,935.00
Total operational risk	333,773.00	359,124.00
CREDIT VALUATION ADJUSTMENT RISK		
Standardised method	10,808.00	8,525.00
Total credit valuation adjustment risk	10,808.00	8,525.00

SUPERVISORY RATIOS	30.06.2014	31.03.2014
Common equity Tier I capital ratio (Common equity Tier 1 capital/risk w eighted assets)	12.73%	12.23%
Tier I capital (Common equity Tier I capital + Additional Tier I capital) (Tier 1 capital/Risk w eighted assets)	12.73%	12.23%
Total capital ratio (Total ow n funds /Risk w eighted assets]	18.03%	17.72%

	Amount as at 30.06.2014				Amount as at 31.03.2014			
	Credit risk		Counterparty risk		Credit risk		Counterparty risk	
	RWA	Capital requirement	RWA	Capital requirement	RWA	Capital requirement	RWA	Capital requirement
Credit and counterparty risk - STANDARDISED APPROACH								
Exposures to or guaranteed by central governments and banks	2,498,865.00	199,909.00	-	-	2,221,231.00	177,698.00	-	-
Exposures to or guaranteed by regional governments or local authorities	168,325.00	13,466.00	-	-	153,293.00	12,263.00	-	-
Exposures to or guaranteed by public sector entities	153,177.00	12,254.00	194.00	16.00	152,606.00	12,208.00	101.00	8.00
Exposures to or guaranteed by multilateral development banks	-	-	-	-	-	-	-	-
Exposures to or guaranteed by international organisations	-	-	-	-	-	-	-	-
Exposures to or guaranteed by supervised intermediaries	1,211,640.00	96,931.00	81,627.00	6,530.00	1,086,265.00	86,901.00	66,995.00	5,360.00
Exposures to or guaranteed by corporates	8,231,623.00	658,530.00	337,426.00	26,994.00	8,130,183.00	650,415.00	308,532.00	24,683.00
Retail exposures	4,269,820.00	341,586.00	415.00	33.00	4,472,579.00	357,806.00	608.00	49.00
Exposures secured by real estate property	1,024,252.00	81,940.00	-	-	1,055,917.00	84,473.00	-	-
Exposures in default	2,844,055.00	227,524.00	9,319.00	746.00	2,856,453.00	228,516.00	11,625.00	930.00
High-risk exposures	78,040.00	6,243.00	-	-	12,684.00	1,015.00	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-
Short-term exposures to corporates and supervised intermediaries	-	-	-	-	-	-	-	-
Exposures to UCITS	19,323.00	1,546.00	-	-	295,093.00	23,607.00	-	-
Exposures in equity instruments	2,114,312.00	169,145.00	86,608.00	6,929.00	2,286,930.00	182,954.00	72,289.00	5,783.00
Other exposures	1,924,099.00	153,928.00	-	-	2,147,903.00	171,832.00	-	-
Securitisations	-	-	-	-	4,952.00	396.00	-	-
Total standardised approach	24,537,531.00	1,963,002.00	515,589.00	41,248.00	24,876,089.00	1,990,084.00	460,150.00	36,813.00
Credit and counterparty risk - INTERNAL RATING BASED APPROACH								
Exposures to or guaranteed by corporates								
Specialised lending								
SMEs	8,023,937.00	641,915.00	-	-	8,209,554.00	656,764.00	-	-
<i>SMEs to which the supporting factor is applied (0.7619)</i>	<i>3,392,284.00</i>	<i>271,383.00</i>	-	-	<i>3,331,416.00</i>	<i>266,513.00</i>	-	-
Other enterprises	15,858,194.00	1,268,656.00	117,425.00	9,394.00	14,525,280.00	1,162,022.00	-	-
Retail exposures								
Exposures secured by real estate property: SMEs	1,191,373.00	95,310.00	-	-	1,200,193.00	96,015.00	-	-
<i>Exposures guaranteed by real estate property: SMEs to which the supporting factor is applied (0.7619)</i>	<i>555,752.00</i>	<i>44,460.00</i>	-	-	<i>508,929.00</i>	<i>40,714.00</i>	-	-
Exposures secured by real estate property: private individuals	3,517,956.00	281,436.00	-	-	3,287,647.00	263,012.00	-	-
Qualified retail revolving exposures	-	-	-	-	-	-	-	-
Other retail exposures: SMEs	1,424,568.00	113,965.00	-	-	1,496,086.00	119,687.00	-	-
<i>Other retail exposures: SMEs to which the supporting factor is applied (0.7619)</i>	<i>1,062,032.00</i>	<i>84,963.00</i>	-	-	<i>1,018,163.00</i>	<i>81,453.00</i>	-	-
Other retail exposures: private individuals	-	-	-	-	-	-	-	-
Specialised lending - slotting criteria	-	-	-	-	1,461,753.00	116,940.00	97,539.00	7,803.00
Total methodology based on internal ratings	30,016,028.00	2,401,282.00	117,425.00	9,394.00	30,180,513.00	2,414,440.00	97,539.00	7,803.00

The following capital requirements must be satisfied for 2014, given as percentages of risk-weighted assets:

- the Common Equity Tier 1 capital must be equal to at least 4.5% of total RWAs;
- the Tier 1 capital must be equal to at least 5.5% of total RWAs;
- own funds (equal to the sum of the Tier 1 and the Tier 2 capital) must be equal to at least 8% of total RWAs.

Additionally, banks are obliged to hold a capital conservation buffer equal to 2.5% of risk-weighted assets. Therefore, the minimum capital ratios required of the UBI Group 2014 are 7% of the Common Equity Tier 1 capital inclusive of the capital conservation buffer, 8% of the Tier 1 capital and 10.5% of total own funds.

Following authorisations received from the Supervisory Authority, the UBI Group now uses internal models³ for the calculation of capital requirements for credit risk – “Corporate” segments (“exposures to businesses”) and “Retail” segments (sub-portfolios “retail: exposures backed by residential real estate” and “retail: other exposures⁴”) – and operational risks.

Capital ratios as at 30th June 2014 recorded an increase compared with 31st March 2014. The Common Equity Tier 1 ratio and the Tier 1 ratio stood at 12.73% (12.23% in March 2014), while the Total Capital ratio was 18.03% (17.72% in March 2014).

Risk weighted assets decreased from €61.5 billion in March to €60.2 billion in June. The difference was determined by a reduction by half in the market risk requirements connected with lower volumes in the UBI Banca trading portfolio, a reduction in credit risk due to the sale of ETFs classified within the Parent’s AFS portfolio and a fall in volumes of former Banca 24-7 mortgages (business merged into UBI Banca and gradually running down). The requirement for operational risk also decreased.

³ Tables 7 and 12 of the full Pillar 3 disclosure document as at 31st December 2013 may be consulted for further information on internal models.

⁴ Limited to the small to medium-size enterprise portfolio comprised within the “Retail” segment (“SME retail”).

Credit risk: general disclosures and impairment for all banks

Quantitative information

This section contains tables which show the distribution of gross credit exposures by type, credit quality, geographical area, economic sector and residual contractual maturity. They also give changes in total net impairment losses for deteriorated exposures. The figures given, which were calculated according to statutory accounting rules, take no account of credit mitigation techniques and they are based on positions in both the banking and the trading books.

Gross credit exposures and averages, by principal types of exposure

	Banking group															TOTAL	
	Non-performing loans			Impaired loans			Restructured			Past due			Other assets				
	Gross	Net	Gross averages (*)	Gross	Net	Gross averages (*)	Gross	Net	Gross averages (*)	Gross	Net	Gross averages (*)	Gross	Net	Gross averages (*)	Gross	Gross averages
1. Financial assets held for trading	2,022	1,641	1,578	3,454	3,454	3,509	2,336	2,336	2,386	962	962	1,035	2,152,057	2,152,057	2,596,213	2,160,831	2,604,720
2. Available-for-sale financial assets	-	-	-	-	-	-	1,000	1,000	1,000	-	-	-	16,493,848	16,493,848	15,746,467	16,494,848	15,747,467
3. Held-to-maturity investments	-	-	-	-	-	-	-	-	-	-	-	-	3,049,841	3,049,841	3,068,328	3,049,841	3,068,328
4. Loans and advances to banks	-	-	-	-	-	-	-	-	-	-	-	-	3,846,319	3,846,319	3,838,906	3,846,319	3,838,906
5. Loans and advances to customers	6,350,531	3,771,411	6,117,790	4,914,896	4,117,369	4,998,710	838,065	716,634	855,067	684,646	651,934	759,435	78,310,845	77,862,048	78,950,971	91,098,983	91,681,973
6. Financial assets designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Financial assets held for disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	19	19	10	10	10	5	-	-	-	-	-	-	458,969	458,969	356,289	458,998	356,304
30/06/2014	6,352,572	3,773,071	6,119,378	4,918,360	4,120,833	5,002,224	841,401	719,970	858,453	685,608	652,896	760,470	104,311,879	103,863,082	104,557,173	117,109,820	117,297,697
31/12/2013	5,886,183	3,438,168	5,674,046	5,086,087	4,317,545	4,610,857	875,504	753,959	826,808	835,332	811,751	877,133	104,802,467	104,320,564	109,097,254	117,485,573	121,086,097

(*) annual average

Distribution by geographical areas of exposures to customers, by principal types of exposure

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD		TOTAL	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On-balance sheet exposure												
A.1 Non-performing loans	6,301,002	3,748,125	49,581	23,518	323	149	3	-	3	-	6,350,912	3,771,792
A.2 Impaired loans	4,774,752	4,034,650	104,939	79,191	23,198	2,327	-	-	12,007	1,201	4,914,896	4,117,369
A.3 Restructured exposures	826,685	707,324	12,379	10,309	-	-	-	-	-	-	839,064	717,633
A.4 Past-due exposures	684,067	651,388	558	531	1	-	-	-	20	15	684,646	651,934
A.5 Other exposures	97,277,624	96,834,213	1,568,212	1,562,996	75,138	74,984	3,891	3,881	3,735	3,729	98,928,600	98,479,803
TOTAL	109,864,130	105,975,700	1,735,669	1,676,545	98,660	77,460	3,894	3,881	15,765	4,945	111,718,118	107,738,531
B. Off-balance sheet exposures												
B.1 Non-performing loans	32,014	24,303	-	-	-	-	-	-	-	-	32,014	24,303
B.2 Impaired loans	205,021	199,457	-	-	-	-	-	-	-	-	205,021	199,457
B.3 Other deteriorated assets	87,036	83,467	-	-	-	-	-	-	-	-	87,036	83,467
B.4 Other exposures	11,107,657	11,069,345	239,761	239,759	15,885	15,884	213	213	902	902	11,364,418	11,326,103
TOTAL	11,431,728	11,376,572	239,761	239,759	15,885	15,884	213	213	902	902	11,688,489	11,633,330
30/06/2014	121,295,858	117,352,272	1,975,430	1,916,304	114,545	93,344	4,107	4,094	16,667	5,847	123,406,607	119,371,861
31/12/2013	119,823,713	116,001,740	2,187,474	2,141,203	134,462	117,890	159,761	154,913	67,749	59,321	122,373,159	118,475,067

Distribution by geographical areas of exposures to banks, by principal types of exposure

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD		TOTAL	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On-balance sheet exposure												
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Impaired loans	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Past-due exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	2,183,049	2,183,049	1,759,542	1,759,536	458,010	458,010	21,388	21,387	10,711	10,711	4,432,700	4,432,693
TOTAL	2,183,049	2,183,049	1,759,542	1,759,536	458,010	458,010	21,388	21,387	10,711	10,711	4,432,700	4,432,693
B. Off-balance sheet exposures												
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Impaired loans	15,835	-	-	-	-	-	-	-	-	-	15,835	-
B.3 Other deteriorated assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	81,263	81,259	389,325	388,890	6,166	6,154	71,999	71,807	29,829	29,737	578,582	577,847
TOTAL	97,098	81,259	389,325	388,890	6,166	6,154	71,999	71,807	29,829	29,737	594,417	577,847
30/06/2014	2,280,147	2,264,308	2,148,867	2,148,426	464,176	464,164	93,387	93,194	40,540	40,448	5,027,117	5,010,540
31/12/2013	2,299,382	2,283,541	3,155,355	3,155,053	377,669	377,658	68,693	68,577	34,129	34,064	5,935,228	5,918,893

Distribution by economic sector of exposures, by principal types of exposure

	Governments and Central Banks		Other public authorities		Financial companies		Insurance companies		Non-financial companies		Other		TOTAL	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On-balance sheet exposure														
A.1 Non-performing loans	106	106	8,271	5,973	60,168	30,267	175	170	4,446,924	2,732,891	1,835,268	1,002,385	6,350,912	3,771,792
A.2 Impaired loans	13,536	12,859	350	214	80,533	59,970	197	109	3,236,545	2,731,730	1,583,735	1,312,487	4,914,896	4,117,369
A.3 Restructured exposures	-	-	-	-	20,792	15,719	-	-	815,312	698,954	2,960	2,960	839,064	717,633
A.4 Past-due exposures	-	-	6,219	5,486	4,594	4,489	-	-	559,429	534,579	114,404	107,380	684,646	651,934
A.5 Other exposures	20,433,152	20,433,151	796,667	792,129	2,792,266	2,782,893	151,031	150,991	42,771,062	42,473,657	31,984,422	31,846,982	98,928,600	98,479,803
TOTAL A	20,446,794	20,446,116	811,507	803,802	2,958,353	2,893,338	151,403	151,270	51,829,272	49,171,811	35,520,789	34,272,194	111,718,118	107,738,531
B. Off-balance sheet exposures														
B.1 Non-performing loans	-	-	-	-	3,144	1,361	-	-	26,235	21,901	2,635	1,041	32,014	24,303
B.2 Impaired loans	-	-	-	-	94	88	-	-	191,081	187,823	13,846	11,546	205,021	199,457
B.3 Other deteriorated assets	-	-	-	-	189	189	-	-	86,673	83,109	174	169	87,036	83,467
B.4 Other exposures	1,543,649	1,543,649	953,359	952,165	761,845	751,591	33,508	33,460	7,202,886	7,189,207	869,171	856,031	11,364,418	11,326,103
TOTAL B	1,543,649	1,543,649	953,359	952,165	765,272	753,229	33,508	33,460	7,506,875	7,482,040	885,826	868,787	11,688,489	11,633,330
30/06/2014	21,990,443	21,989,765	1,764,866	1,755,967	3,723,625	3,646,567	184,911	184,730	59,336,147	56,653,851	36,406,615	35,140,981	123,406,607	119,371,861
31/12/2013	20,025,026	20,025,009	1,823,106	1,813,063	3,428,217	3,350,969	206,091	203,583	60,139,035	57,576,277	36,751,684	35,506,166	122,373,159	118,475,067

Distribution by residual contractual maturity of the entire portfolio, by type of exposure

	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate maturity	TOTAL
On-balance sheet assets	18,065,368	1,119,386	1,212,934	1,957,905	4,643,138	9,167,069	7,535,316	34,534,630	33,736,458	829,384	112,801,588
A.1 Government securities	504	-	681	-	65,537	5,020,807	983,763	10,599,988	2,670,158	106	19,341,544
A.2 Other debt instruments	4,071	-	2	10,487	2,149	23,142	355,418	255,177	266,575	275	917,296
A.3 Units in UCITS	189,132	-	-	-	-	-	-	-	-	-	189,132
A.4 Financing	17,871,661	1,119,386	1,212,251	1,947,418	4,575,452	4,123,120	6,196,135	23,679,465	30,799,725	829,003	92,353,616
- Banks	2,168,082	209,570	266,118	136,525	61,969	28,139	48,775	538,086	4,133	621,118	4,082,515
- Customers	15,703,579	909,816	946,133	1,810,893	4,513,483	4,094,981	6,147,360	23,141,379	30,795,592	207,885	88,271,101
	-	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	47,067,906	694,496	212,294	1,872,186	2,548,495	3,428,142	16,561,204	26,872,126	6,018,495	-	105,275,344
B.1 Deposits and current accounts	44,058,939	224,217	41,337	98,663	278,579	22,487	26,485	39,851	38	-	44,790,596
- Banks	1,712,304	105,542	5,857	15,499	5,903	-	-	-	-	-	1,845,105
- Customers	42,346,635	118,675	35,480	83,164	272,676	22,487	26,485	39,851	38	-	42,945,491
B.2 Debt instruments	60,002	360,011	80,543	1,363,513	1,881,990	3,154,061	4,341,939	25,840,104	5,858,329	-	42,940,492
B.3 Other liabilities	2,948,965	110,268	90,414	410,010	387,926	251,594	12,192,780	992,171	160,128	-	17,544,256
	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	3,976,286	(131,149)	47,172	(202,830)	(153,096)	(799,953)	(184,125)	(968,785)	(466,370)	10,626	1,127,776
C.1 Financial derivatives with exchange of principal	1,033,346	(26,478)	8	(116,061)	642	(3,566)	46,362	(7,467)	(367,447)	-	559,339
- Long positions	44,807	1,143,485	52,013	1,449,804	719,924	566,066	381,225	813,762	848,932	-	6,020,018
- Short positions	1,078,153	1,117,007	52,021	1,333,743	720,566	562,500	427,587	806,295	481,485	-	6,579,357
C.2 Financial derivatives without exchange of principal	(3,707)	1,517	6,130	4,230	(19,594)	(27,880)	7,704	-	-	-	(31,600)
- Long positions	487,879	583	1,086	1,941	59,827	85,491	106,722	-	-	-	743,529
- Short positions	484,172	2,100	7,216	6,171	40,233	57,611	114,426	-	-	-	711,929
C.3 Deposits and financing to be received	(113,459)	66,326	47,133	-	-	-	-	-	-	-	-
- Long positions	113,459	-	-	-	-	-	-	-	-	-	113,459
- Short positions	-	66,326	47,133	-	-	-	-	-	-	-	113,459
C.4 Irrevocable commitments to disburse funds	2,746,666	(172,514)	(6,149)	(91,885)	(148,445)	(781,272)	(243,443)	(978,477)	(114,590)	-	209,891
- Long positions	104,592	172,514	6,149	91,885	148,445	781,272	243,443	978,477	114,590	166,619	2,807,986
- Short positions	2,851,258	-	-	-	-	-	-	-	-	166,619	3,017,877
C.5 Financial guarantees issued	10,372	-	50	886	14,301	12,765	5,252	17,159	15,667	10,626	87,078
C.6 Financial guarantees received	303,068	-	-	-	-	-	-	-	-	-	303,068
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-

Distribution by economic sector of deteriorated exposures and impairment losses

Exposures/Counterparties	Governments and Central Banks				Other public authorities				Financial companies				Insurance companies				Non-financial companies				Other				Totals			
	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Impairment	Net exposure	
A. On-balance sheet exposure																												
A.1 Non-performing loans	106	-	X	106	8,271	(2,398)	X	5,973	60,168	(29,901)	X	30,267	175	(5)	X	170	4,446,924	(1,714,033)	X	2,732,891	1,835,268	(832,883)	X	1,002,385	6,350,912	2,579,120	3,771,792	
A.2 Impaired loans	13,536	(677)	X	12,859	350	(136)	X	214	80,533	(20,563)	X	59,970	197	(88)	X	109	3,236,545	(504,815)	X	2,731,730	1,583,735	(271,248)	X	1,312,487	4,914,896	797,527	4,117,369	
A.3 Restructured exposures	-	-	X	-	-	-	X	-	20,792	(5,073)	X	15,719	-	-	X	-	815,312	(116,358)	X	698,954	2,960	-	X	2,960	839,064	121,431	717,633	
A.4 Past-due exposures	-	-	X	-	6,219	(733)	X	5,486	4,594	(105)	X	4,489	-	-	X	-	559,429	(24,850)	-	534,579	114,404	(7,024)	-	107,380	684,646	32,712	651,934	
A.5 Other exposures	20,433,152	X	(1)	20,433,151	796,647	-	(4,530)	792,129	2,792,266	X	(9,373)	2,782,893	151,031	X	(40)	150,991	42,771,062	X	(297,465)	42,473,597	31,984,422	X	(137,448)	31,846,974	98,929,600	448,797	98,479,803	
TOTAL A	20,446,794	(677)	(1)	20,446,116	811,507	(3,167)	(4,838)	803,802	2,958,383	(55,642)	(9,373)	2,893,338	151,403	(93)	(40)	151,270	51,829,272	(2,360,056)	(297,405)	49,171,811	35,820,789	(1,111,168)	(137,440)	34,272,194	111,718,118	3,979,587	107,738,531	
B. Off-balance sheet exposures																												
B.1 Non-performing loans	-	-	X	-	-	-	X	-	3,144	(1,783)	X	1,361	-	-	X	-	26,235	(4,334)	X	21,901	2,635	(1,594)	X	1,041	32,014	7,711	24,303	
B.2 Impaired loans	-	-	X	-	-	-	X	-	94	(6)	X	88	-	-	X	-	191,081	(3,258)	X	187,823	13,846	(2,300)	X	11,546	205,021	5,564	199,457	
B.3 Other deteriorated assets	-	-	X	-	-	-	X	-	189	-	X	189	-	-	X	-	86,673	(5,564)	X	81,109	174	(5)	X	169	87,036	3,569	83,467	
B.4 Other exposures	1,543,649	X	-	1,543,649	953,359	-	(1,194)	952,165	761,845	X	(10,254)	751,591	33,588	X	(48)	33,460	2,202,856	X	(13,679)	2,189,177	859,171	X	(13,140)	856,031	11,364,918	38,315	11,306,103	
TOTAL B	1,543,649	-	-	1,543,649	953,359	-	(1,194)	952,165	765,272	(11,789)	(10,254)	753,229	33,508	(48)	-	33,460	2,506,875	(11,156)	(13,679)	2,482,040	885,826	(3,899)	(13,140)	868,787	11,688,489	55,199	11,633,290	
30/06/2014	21,990,443	(677)	(1)	21,989,765	1,764,866	(3,167)	(5,792)	1,758,967	3,723,628	(97,431)	(19,627)	3,646,567	184,911	(93)	(88)	184,730	59,336,147	(2,371,212)	(311,084)	56,663,881	36,406,618	(1,115,054)	(150,580)	35,140,981	123,406,607	4,034,746	119,371,861	
31/12/2013	20,025,026	-	(17)	20,025,009	1,823,106	(2,114)	(7,929)	1,813,063	3,428,217	(87,194)	(20,054)	3,380,969	206,091	(82)	(2,426)	203,583	60,139,035	(2,331,640)	(331,118)	57,876,277	36,751,684	(1,096,527)	(148,991)	35,806,166	122,373,189	3,898,092	118,475,067	

Distribution by geographical area of deteriorated exposures to customers and impairment losses

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD		TOTAL	
	Gross exposure	impairment	Gross exposure	impairment	Gross exposure	impairment	Gross exposure	impairment	Gross exposure	impairment	Gross exposure	impairment
A. On-balance sheet exposure												
A.1 Non-performing loans	6,301,002	(2,552,877)	49,581	(26,063)	323	(174)	3	(3)	3	(3)	6,350,912	(2,579,120)
A.2 Impaired loans	4,774,752	(740,102)	104,939	(25,748)	23,198	(20,871)	-	-	12,007	(10,806)	4,914,896	(797,527)
A.3 Restructured exposures	826,685	(119,361)	12,379	(2,070)	-	-	-	-	-	-	839,064	(121,431)
A.4 Past-due exposures	684,067	(32,679)	558	(27)	1	(1)	-	-	20	(5)	684,646	(32,712)
A.5 Other exposures	97,277,624	(443,411)	1,568,212	(5,216)	75,138	(154)	3,891	(10)	3,735	(6)	98,928,600	(448,797)
TOTAL	109,864,130	(3,888,430)	1,735,669	(59,124)	98,660	(21,200)	3,894	(13)	15,765	(10,820)	111,718,118	(3,979,587)
B. Off-balance sheet exposures												
B.1 Non-performing loans	32,014	(7,711)	-	-	-	-	-	-	-	-	32,014	(7,711)
B.2 Impaired loans	205,021	(5,564)	-	-	-	-	-	-	-	-	205,021	(5,564)
B.3 Other deteriorated assets	87,036	(3,569)	-	-	-	-	-	-	-	-	87,036	(3,569)
B.4 Other exposures	11,107,657	(38,312)	239,761	(2)	15,885	(1)	213	-	902	-	11,364,418	(38,315)
TOTAL	11,431,728	(55,156)	239,761	(2)	15,885	(1)	213	-	902	-	11,688,489	(55,159)
30/06/2014	121,295,858	(3,943,586)	1,975,430	(59,126)	114,545	(21,201)	4,107	(13)	16,667	(10,820)	123,406,607	(4,034,746)
31/12/2013	119,823,713	(3,821,973)	2,187,474	(46,271)	134,462	(16,572)	159,761	(4,848)	67,749	(8,428)	122,373,159	(3,898,092)

Distribution by geographical area of deteriorated exposures to banks and impairment losses

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD		TOTAL	
	Gross exposure	impairment	Gross exposure	impairment	Gross exposure	impairment	Gross exposure	impairment	Gross exposure	impairment	Gross exposure	impairment
A. On-balance sheet exposure												
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Impaired loans	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Past-due exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	2,183,049	-	1,759,542	(6)	458,010	-	21,388	(1)	10,711	-	4,432,700	(7)
TOTAL	2,183,049	-	1,759,542	(6)	458,010	-	21,388	(1)	10,711	-	4,432,700	(7)
B. Off-balance sheet exposures												
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Impaired loans	15,835	(15,835)	-	-	-	-	-	-	-	-	15,835	(15,835)
B.3 Other deteriorated assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	81,263	(4)	389,325	(435)	6,166	(12)	71,999	(192)	29,829	(92)	578,582	(735)
TOTAL	97,098	(15,839)	389,325	(435)	6,166	(12)	71,999	(192)	29,829	(92)	594,417	(16,570)
30/06/2014	2,280,147	(15,839)	2,148,867	(441)	464,176	(12)	93,387	(193)	40,540	(92)	5,027,117	(16,577)
31/12/2013	2,299,382	(15,841)	3,155,355	(302)	377,669	(11)	68,693	(116)	34,129	(65)	5,935,228	(16,335)

Changes in total net impairment losses for deteriorated exposures to customers

Description/categories	Non-performing loans	Impaired loans	Restructured exposures	Past-due exposures
A. Total initial net impairment - of which: exposures transferred not derecognised	(2,447,924)	(768,542)	(121,545)	(23,581)
B. Increases	(537,811)	(252,963)	(27,312)	(33,094)
B.1 impairment losses	(384,911)	(222,139)	(15,103)	(23,009)
B.1.a losses on disposal	(629)	(200)	(529)	-
B.2 transfers from other categories of deteriorated exposures	(142,199)	(23,077)	(11,430)	(341)
B.3 other increases	(10,072)	(7,547)	(250)	(9,744)
C. Decreases	406,615	223,978	27,426	23,963
C.1 unrealised reversals of impairment losses	71,916	37,159	5,842	2,476
C.2 realised reversals of impairment losses	28,759	32,731	2,643	5,354
C.2.a profits on the disposal	916	-	-	-
C.3 write-offs	302,505	3,184	3,338	3
C.4 transfers to other categories of impaired exposures	1,034	144,836	15,074	16,103
C.5 other decreases	1,485	6,068	529	27
D. Total closing net impairment - of which: exposures transferred not derecognised	(2,579,120) -	(797,527) -	(121,431) -	(32,712) -

Changes in total net impairment losses for deteriorated exposures to banks

Description/categories	Non-performing loans	Impaired loans	Restructured exposures	Past-due exposures
A. Total initial net impairment	-	-	-	-
- of which: exposures transferred not derecognised	-	-	-	-
B. Increases	-	-	-	-
B.1 impairment losses	-	-	-	-
B.1.a losses on disposal	-	-	-	-
B.2 transfers from other categories of deteriorated exposures	-	-	-	-
B.3 other increases	-	-	-	-
C. Decreases	-	-	-	-
C.1 unrealised reversals of impairment losses	-	-	-	-
C.2 realised reversals of impairment losses	-	-	-	-
C.2.a profits on the disposal	-	-	-	-
C.3 write-offs	-	-	-	-
C.4 transfers to other categories of impaired exposures	-	-	-	-
C.5 other decreases	-	-	-	-
D. Total closing net impairment	-	-	-	-
- of which: exposures transferred not derecognised	-	-	-	-

Credit risk: use of the IRB approach

Qualitative information

With Provision No. 689988 of 19th July 2013, the Bank of Italy authorised the UBI Banca Group to use the advanced internal rating based (AIRB) approach to calculate capital requirements to meet credit risk for the regulatory segments: “retail: exposures backed by residential real estate” and “retail: other exposures (SME-retail)” as of the supervisory report as at 30th June 2013. The authorisation allows the use of internal estimates for probability of default (PD) and loss given default (LGD) parameters for the RRE (Residential Real Estate - Individuals and Retail Businesses) and Retail Other (Retail Businesses) portfolio.

For the corporate segment, the UBI Banca Group has already been authorised by the Supervisory Authority, with Provision No. 423940 of 16th May 2012, to use advanced internal rating based (AIRB) systems as of the supervisory report as at the 30th June 2012.

For all the other portfolios, the standardised approach will be used, to be applied in accordance with the roll-out plan submitted to the Supervisory Authority.

As at the reporting date, the scope of application, in terms of companies, for the approaches authorised is as follows:

- AIRB: Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare Commercio e Industria, Banca Popolare di Ancona, Banca Regionale Europea, Banca Carime, Banca Valle Camonica (the “Network Banks”), UBI Banca Private Investment and UBI Banca⁵;
- the remaining legal entities in the Group will continue to use the standardised approach.

The application for validation, which was approved by the Bank of Italy involves a roll-out plan for the portfolios subject to the AIRB/IRB approach which contains set deadlines for each supervisory customer segment (“corporate”, “retail – RRE” and “retail – other”) and for different risk indicators (PD, LGD, exposure at default - EAD, maturity - M). The roll-out plan will last seven years (2012-2018), while permanent exemption from the application of AIRB was requested for the Group’s foreign banks and branches and also for the following exposures:

- exposures to central governments and central banks;
- exposures to supervised intermediaries;
- exposures to nonprofit institutions;
- exposures to members of the banking Group;
- exposures to equity instruments;
- exposures secured by collateral and counter-guarantees issued by the government, recognised in accordance with the legislation and regulations on credit risk mitigation;
- exposures backed by credit protection provided by the parties listed above (central governments, central banks and supervised intermediaries);
- generic types of exposure to economic counterparties not directly attributable to single debtor/creditor counterparties, but mainly to special purpose entities formed for covered bond operations and self-securitisations.

The output of the models consists of nine rating classes that correspond to the relative PDs, updated as at December 2012 for exposures to businesses and for retail exposures. These PDs

⁵ The legal entity, UBI Banca, includes the exposures of the former Banca 24-7 and the former Centrobanca to which the internal models validated apply for the calculation of capital requirements.

are mapped on the Master Scale to 14 classes (comparable with the ratings of the main external rating agencies) exclusively for reporting purposes.

Master Scale	PD THRESHOLDS		UBI INTERNAL RATING MODELS				EXTERNAL RATINGS	
	Min PD	Max PD	Corporate and Large Corporate	Small Businesses	Retail Businesses	Private individuals	Moody's (1)	
			class	class	class	class	class	PD
MS1	0.030%	0.049%	1		1	1	Aaa-Aa2	0.00%
MS2	0.049%	0.084%		1		2	Aa3-A1-A3	0.050% - 0.082%
MS3	0.084%	0.174%	2	2	2		Baa1-Baa2	0.142% - 0.173%
MS4	0.174%	0.298%	3	3		3	Baa3	0.268%
MS5	0.298%	0.469%			3		Baa3/Ba1	0.268% - 0.628%
MS6	0.469%	0.732%	4	4			Ba1-Ba2	0.628% - 0.724%
MS7	0.732%	1.102%	5		4	4	Ba2/Ba3	0.724% - 1.652%
MS8	1.102%	1.867%		5		5	Ba3	1.652%
MS9	1.867%	2.968%	6		5		B1	2.239%
MS10	2.968%	5.370%	7	6	6	6	B2	3.468%
MS11	5.370%	9.103%					B3 - Caa1	6.126% - 7.942%
MS12	9.103%	13.536%	8	7	7	7	Caa1/Caa2	7.942% - 17.051%
MS13	13.536%	19.142%		8			Caa2	17.051%
MS14	19.142%	99.999%	9	9	8-9	8-9	Caa3 - C	26.038% - 37.974%

(1) cf. "Moody's "Corporate Default and Recovery Rates, 1920-2012", Exhibit 29, Average One-Year Alphanumeric Rating Migration Rates, 1983-2012.

Quantitative information

Amounts of the exposures by supervisory portfolio

SUPERVISORY PORTFOLIO	EXPOSURES	
	FOUNDATION IRB	ADVANCED IRB
Exposures to or guaranteed by businesses:		
Specialised lending		
SMEs		16,622,173
Other companies		22,319,248
Retail exposures		
-Exposures guaranteed by real estate property: SMEs		5,053,060
-Exposures guaranteed by real estate property: private individuals		23,177,640
-Qualified revolving retail exposures		-
-Other retail exposures: SMEs		4,983,053
-Other retail exposures: private individuals		-

Distribution of specialised lending exposures by credit quality step

SUPERVISORY PORTFOLIO	CLASS	EXPOSURE	
		30.06.2014	31.12.2013
Exposures to or guaranteed by businesses: specialised lending-slotting criteria	specialised lending supervisory rating - high rating	486,612	388,348
	specialised lending supervisory rating - good rating	1,018,346	1,062,950
	specialised lending supervisory rating - sufficient rating	216,077	266,050
	specialised lending supervisory rating - poor rating	80,772	48,042

Distribution of exposures by supervisory class of activity and by PD class (exposures to businesses)

	PD Class (*)	Exposure	Average weighting factor (%)	Average weighted LGD (%)	Undrawn credit	Average weighted EAD (%)
EXPOSURES TO OR GUARANTEED BY CORPORATES						
- SMEs						
	<i>1st class</i>	179,773	11.65	44.87	36,286	7.67
	<i>2nd class</i>	59,720	13.46	38.94	12,192	9.58
	<i>3rd class</i>	965,530	22.92	39.16	101,391	8.76
	<i>4th class</i>	1,975,276	31.40	36.73	174,444	14.36
	<i>5th class</i>	-	-	-	-	-
	<i>6th class</i>	2,762,968	43.74	35.28	152,194	15.07
	<i>7th class</i>	1,638,912	60.62	35.66	84,468	15.70
	<i>8th class</i>	1,528,208	52.50	32.73	42,148	12.25
	<i>9th class</i>	1,556,085	73.98	34.38	52,246	14.95
	<i>10th class</i>	2,170,214	73.19	32.08	51,206	18.25
	<i>11th class</i>	-	-	-	-	-
	<i>12th class</i>	1,016,731	99.01	30.60	29,893	27.61
	<i>13th class</i>	255,918	101.72	30.13	3,180	15.74
	<i>14th class</i>	119,436	119.44	28.26	1,967	22.65
	<i>Default</i>	2,393,402	-	38.67	53,470	49.23
- Other corporates						
	<i>1st class</i>	193,132	16.11	47.16	87,248	13.49
	<i>2nd class</i>	5,645	25.36	47.37	895	9.02
	<i>3rd class</i>	1,965,514	38.88	45.75	772,817	20.37
	<i>4th class</i>	3,932,908	51.15	43.84	842,144	18.02
	<i>5th class</i>	-	-	-	-	-
	<i>6th class</i>	4,190,842	69.15	41.58	666,902	20.26
	<i>7th class</i>	3,520,246	91.03	41.18	506,239	31.05
	<i>8th class</i>	175,171	77.54	31.72	8,240	21.89
	<i>9th class</i>	2,000,318	108.97	39.35	166,593	25.71
	<i>10th class</i>	1,576,901	125.74	37.26	54,599	29.52
	<i>11th class</i>	-	-	-	-	-
	<i>12th class</i>	510,031	171.82	36.84	18,596	36.67
	<i>13th class</i>	14,923	149.66	29.61	3,878	15.96
	<i>14th class</i>	84,742	230.27	39.17	18,315	37.46
	<i>Default</i>	4,148,875	-	45.66	155,591	48.18

(*) Master Scale, cf. Qualitative information.

Distribution of exposures by supervisory class of activity and by PD class (retail exposures)

	PD Class (*)	Exposure	Average weighting factor (%)	Average weighted LGD (%)	Undrawn credit	Average weighted EAD (%)
RETAIL EXPOSURES						
- Exposures secured by real estate property: SMEs	<i>1st class</i>	106,009	1.99	16.77	3,166	59.82
	<i>2nd class</i>	114	2.24	11.84	-	-
	<i>3rd class</i>	510,856	4.77	15.82	8,420	67.42
	<i>4th class</i>	809	6.55	12.18	-	-
	<i>5th class</i>	780,869	8.79	15.18	4,962	66.13
	<i>6th class</i>	-	-	-	-	-
	<i>7th class</i>	687,158	16.78	15.52	7,049	72.51
	<i>8th class</i>	310	23.36	12.38	-	-
	<i>9th class</i>	508,549	29.83	15.92	8,632	73.95
	<i>10th class</i>	463,447	43.96	15.27	1,606	70.76
	<i>11th class</i>	-	-	-	-	-
	<i>12th class</i>	270,597	64.62	15.36	1,249	75.00
	<i>13th class</i>	-	-	-	-	-
	<i>14th class</i>	575,014	78.34	15.05	2,027	75.00
	<i>Default</i>	1,149,329	-	35.79	1,149	74.82
- Exposures secured by real estate property: private individuals	<i>1st class</i>	1,164,209	1.16	11.72	1,869	75.00
	<i>2nd class</i>	3,290,315	2.25	11.82	2,950	75.00
	<i>3rd class</i>	-	-	-	-	-
	<i>4th class</i>	5,402,239	6.48	12.02	10,102	75.00
	<i>5th class</i>	-	-	-	-	-
	<i>6th class</i>	-	-	-	-	-
	<i>7th class</i>	5,371,284	14.23	12.57	5,795	75.00
	<i>8th class</i>	3,818,479	23.17	12.27	1,684	75.00
	<i>9th class</i>	-	-	-	-	-
	<i>10th class</i>	969,784	39.92	12.30	810	75.00
	<i>11th class</i>	-	-	-	-	-
	<i>12th class</i>	881,588	62.65	12.57	835	75.00
	<i>13th class</i>	-	-	-	-	-
	<i>14th class</i>	638,236	77.06	12.70	82	75.00
	<i>Default</i>	1,641,506	-	22.02	284	75.00
- Other retail exposures: SMEs	<i>1st class</i>	-	-	-	-	-
	<i>2nd class</i>	139,182	5.26	34.65	11,037	4.74
	<i>3rd class</i>	432,096	11.47	33.70	26,131	7.17
	<i>4th class</i>	-	-	-	-	-
	<i>5th class</i>	613,656	19.86	35.42	22,571	6.20
	<i>6th class</i>	-	-	-	-	-
	<i>7th class</i>	702,737	31.76	36.66	21,388	6.74
	<i>8th class</i>	-	-	-	-	-
	<i>9th class</i>	668,868	43.38	37.72	16,484	6.94
	<i>10th class</i>	586,714	48.09	37.73	13,203	8.95
	<i>11th class</i>	-	-	-	-	-
	<i>12th class</i>	283,715	54.69	37.28	4,302	9.12
	<i>13th class</i>	-	-	-	-	-
	<i>14th class</i>	404,795	72.91	35.45	5,795	13.12
	<i>Default</i>	1,151,290	-	60.48	9,205	26.18

(*) Master Scale, cf. Qualitative information.

Comparison between estimates and actual results

The comparison of estimates of risk parameters and empirical data is carried out by internal audit functions at least once annually by means of a set of codified, structured and automated procedures. Periodic monitoring of statistical tests is also carried out by units which include the development function in order to promptly identify, where necessary, the most effective solutions to ensure the robustness of the models over time.

With specific reference to the probability of default (PD,) the analyses conducted by the internal audit functions focus on “out-of-sample” application portfolios and are designed in particular to assess (i) the performance of the models, in terms of their ability to maintain their discriminating capacity and predictive power over time, and (ii) the dynamic rating properties

also with respect to the development samples. As concerns loss given default (LGD), the analyses performed on the most recent out-of-sample data regard the stability of the sample and performances with respect to the long-term period sample which determined the estimate of the parameter.

In view of the results of the tests and with account taken of the current recessionary phase in the business cycle, overall robustness in the accuracy and ordering capacities as well as the dynamic rating properties was found in the most recent out-of-sample data for all the authorised PD models. Correct calibration of PD measured by using binomial tests and also considering correlation between defaults was also found to be generally satisfactory overall.

With regard to LGD, the analyses conducted on the last most recent out-of-sample window showed good stability for the empirical loss values and for estimates of the parameter. Furthermore, further prudential elements were introduced during the validation process which led to the authorisation to use IRB models for the following counterparties: “retail: exposures backed by residential real estate” and “retail: other exposures (SME-retail)”. The downturn intervention was of particular importance. It was based on an analysis of recovery rates observed during the downturn in the economic cycle, which were further worsened in line with the trend for some macroeconomic indicators which were considered significant.

Exposure to counterparty risk

Quantitative information

Counterparty risk constitutes a particular type of credit risk. It is the risk that a counterparty to a transaction involving determined types of financial instruments defaults (credit and financial derivatives sold “over the counter” – OTC, securities financing transactions and transactions with long term settlement) before the transaction itself is settled.

Financial derivatives - Supervisory trading portfolio: notional, end of period and average figures

Underlying assets/type of derivative	30/06/2014		31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	21,080,600	337,734	22,602,745	1,242,013
a) Options	4,573,681	1,608	5,271,553	77,458
b) Swaps	16,506,919	-	17,331,187	-
c) Forwards	-	-	5	-
d) Futures	-	336,126	-	1,164,555
e) Other	-	-	-	-
2. Equity instruments and share indice	-	32,193	-	110
a) Options	-	113	-	110
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	32,080	-	-
e) Other	-	-	-	-
3. Currencies and gold	5,450,624	2,875	4,719,523	2,875
a) Options	2,966,727	-	2,427,028	-
b) Swaps	-	-	-	-
c) Forwards	2,466,604	-	2,279,244	-
d) Futures	-	2,875	-	2,875
e) Other	17,293	-	13,251	-
4. Commodities	20,168		21,838	
5. Other underlying	1,076		1,076	
Total	26,552,468	372,802	27,345,182	1,244,998
Average amounts	26,948,825	808,900	25,952,786	996,598

Financial derivatives – Banking portfolio: notional, end of period and average figures
For hedging

Underlying assets/type of derivative	30/06/2014		31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	36,565,713	-	28,046,881	-
a) Options	5,789,969		5,844,455	
b) Swaps	30,775,744		22,202,426	
c) Forwards				
d) Futures				
e) Other				
2. Equity instruments and share indices	-	-	-	-
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Currencies and gold	533,739	-	601,022	-
a) Options				
b) Swaps	533,739		601,022	
c) Forwards				
d) Futures				
e) Other				
4. Commodities				
5. Other underlying				
Total	37,099,452	-	28,647,903	-
Average amounts	32,873,678		38,056,062	

Financial derivatives – Banking portfolio: notional, end of period and average figures

Other derivatives

Underlying assets/type of derivative	30/06/2014		31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	19,200	-	33,400	-
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	19,200		33,400	
2. Equity instruments and share indices	1,186,786	-	1,145,216	-
a) Options	1,186,786		1,145,216	
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Currencies and gold	-	-	-	-
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
4. Commodities				
5. Other underlying				
Total	1,205,986	-	1,178,616	-
Average amounts	1,192,301		1,544,263	

Financial derivatives - gross positive fair value: by type of product

Portfolio/type of derivative	Positive fair value			
	30/06/2014		31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading portfolio	499,227	393	456,579	293
a) Options	17,654	216	30,127	221
b) Interest rate swaps	475,850		404,996	
c) Cross currency swaps	-			
d) Equity swaps	-			
e) Forwards	4,402		20,278	
f) Futures	-	177		72
f) Other	1,321		1,178	
B. Banking portfolio - for hedging	458,999	-	253,609	-
a) Options				
b) Interest rate swaps	457,588		253,609	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
f) Other	1,411			
C. Banking portfolio - other derivatives	10	-	10	-
a) Options	10		10	
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
f) Other				
Total	958,236	393	710,198	293

Financial derivatives - gross negative fair value: by type of product

Portfolio/type of derivative	Negative fair value			
	30/06/2014		31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading portfolio	496,579	316	417,292	52
a) Options	13,278	-	23,208	3
b) Interest rate swaps	476,817	-	371,972	
c) Cross currency swaps	-	-		
d) Equity swaps	-	-		
e) Forwards	5,323	-	21,057	
f) Futures	-	316		49
f) Other	1,161	-	1,055	
B. Banking portfolio - for hedging	623,610	-	483,545	-
a) Options	0			
b) Interest rate swaps	613,115		407,346	
c) Cross currency swaps	-			
d) Equity swaps	-			
e) Forwards	-			
f) Futures	-			
f) Other	10,495		76,199	
C. Banking portfolio - other derivatives	36	-	45	-
a) Options	8		9	
b) Interest rate swaps	-			
c) Cross currency swaps	-			
d) Equity swaps	-			
e) Forwards	-			
f) Futures	-			
f) Other	28		36	
Total	1,120,225	316	900,882	52

Over the counter financial derivatives: supervisory trading portfolio – notional amounts, gross positive and negative fair values by counterparty
contracts not covered by clearing agreements

Contracts not covered by clearing agreements	Governments and central banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
Notional amount	-	-	100,956	91,029	-	5,653,522	702,176
Positive fair value	-	-	-	4,240	-	347,731	9,509
Negative fair value	-	-	185	7	-	716	250
Future exposure	-	-	15	432	-	27,640	639
2) Equity instruments and share indices							
Notional amount	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-
3) Currencies and gold							
Notional amount	-	-	1,575,406	718,907	492	1,344,451	31,571
Positive fair value	-	-	2,414	1,346	1	5,733	251
Negative fair value	-	-	3,896	947	-	2,928	136
Future exposure	-	-	15,754	7,157	5	12,094	316
4) Other securities							
Notional amount	-	-	-	-	-	11,177	-
Positive fair value	-	-	-	-	-	1,553	-
Negative fair value	-	-	-	-	-	654	-
Future exposure	-	-	-	-	-	1,190	-

Over the counter financial derivatives: supervisory trading portfolio – notional amounts, gross positive and negative fair values by counterparty
contracts which form part of clearing agreements

Contracts covered by clearing agreements	Governments and central banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
Notional amount	-	-	13,450,889	1,082,027	-	-	-
Positive fair value	-	-	117,661	4,408	-	-	-
Negative fair value	-	-	442,273	37,733	-	-	-
2) Equity instruments and share indices							
Notional amount	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
3) Currencies and gold							
Notional amount	-	-	1,341,715	438,083	-	-	-
Positive fair value	-	-	2,271	1,409	-	-	-
Negative fair value	-	-	5,066	1,342	-	-	-
4) Other securities							
Notional amount	-	-	9,843	224	-	-	-
Positive fair value	-	-	675	25	-	-	-
Negative fair value	-	-	395	52	-	-	-

Over the counter financial derivatives: banking portfolio – notional amounts, gross positive and negative fair values by counterparty contracts not covered by clearing agreements

Contracts not covered by clearing agreements	Governments and central banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	1,781	17,350	800	-	1,050
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	1	25	1	-	2
- future exposure	-	-	9	-	-	-	-
2) Equity instruments and share indices							
- notional amount	-	-	8,322	24	614,248	559,150	5,042
- positive fair value	-	-	10	-	-	-	-
- negative fair value	-	-	-	-	-	-	8
- future exposure	-	-	142	-	38,676	47,738	194
3) Currencies and gold							
- notional amount	-	199	-	2,121	-	23,927	507,492
- positive fair value	-	-	-	10	-	65	1,335
- negative fair value	-	2	-	63	-	456	9,974
- future exposure	-	2	-	21	-	239	5,102
4) Other securities							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

Over the counter financial derivatives: banking portfolio – notional amounts, gross positive and negative fair values by counterparty contracts which form part of clearing agreements

Contracts covered by clearing agreements	Governments and central banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	29,218,871	7,345,061	-	-	-
- positive fair value	-	-	299,860	157,728	-	-	-
- negative fair value	-	-	480,215	132,900	-	-	-
2) Equity instruments and share indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currencies and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4) Other securities							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

Residual maturity of over the counter financial derivatives: notional amounts

Underlying asset/Residual maturity	Up to 1 year	1 year to 5 years	More than 5 years	Total
A. Supervisory trading portfolio	9,136,480	10,837,085	6,578,904	26,552,469
A.1 Financial derivatives on debt instruments and interest rates	4,063,987	10,437,709	6,578,904	21,080,600
A.2 Financial derivatives on equity instruments and share indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	5,053,536	397,088	-	5,450,624
A.4 Financial derivatives on other securities	18,957	2,288	-	21,245
B. Banking portfolio	4,459,767	22,513,554	11,332,117	38,305,438
B.1 Financial derivatives on debt instruments and interest rates	3,922,541	22,073,714	10,588,658	36,584,913
B.2 Financial derivatives on equities and share indices	3,487	439,840	743,459	1,186,786
B.3 Financial derivatives on exchange rates and gold	533,739	-	-	533,739
B.4 Financial Derivatives on other securities	-	-	-	-
Total 30/06/2014	13,596,247	33,350,639	17,911,021	64,857,907
Total 31/12/2013	18,317,608	24,612,956	14,241,137	57,171,701

Credit derivatives: end of period and average notional amounts

No transactions in credit derivatives were performed in the first half of 2014.

Over the counter credit derivatives - gross negative fair value: by type of product

No outstanding transactions in credit derivatives existed as at 30th June 2014.

Residual maturity of over the counter credit derivatives: notional amounts

No outstanding transactions in credit derivatives existed as at 30th June 2014.

Counterparty risk - credit equivalent

	30.06.2014	
	CREDIT EQUIVALENT	
	STANDARDISED APPROACH	IRB APPROACH
Derivatives contracts	56,912	
Securities financing transactions and long-term settlement transactions	629,642	134,960
Cross product netting agreements		

Exposures to equity instruments not included in the trading portfolio

Quantitative information

The tables on the pages that follow give exposures in equity instruments grouped according to the accounting portfolio in which they are classified. Amounts for equity investments in companies that are fully consolidated for financial reporting purposes are excluded.

Quantitative information

	<i>carrying amount</i>		<i>fair value</i>		<i>market value</i>		<i>profits/losses realised and impairment</i>		<i>unrealised gains/losses recognised in the balance sheet</i>	
	<i>level 1</i>	<i>level 2/3</i>	<i>level 1</i>	<i>level 2/3</i>	<i>level 1</i>	<i>level 2/3</i>	<i>level 1</i>	<i>level 2/3</i>	<i>level 1</i>	<i>level 2/3</i>
Financial assets designated at fair value:										
- <i>equity instruments</i>	3,604	65,726	3,604	65,726	3,604	x	6	669	x	x
- <i>units in UCITS</i>	116,865	6,213	116,865	6,213	116,865	x	-264	-683	x	x
Available-for-sale financial assets:										
- <i>equity instruments</i>	2,908	179,612	2,908	179,612	2,908	x	-328	-840	9,669	69,037
- <i>units in UCITS</i>	11,377	53,831	11,377	53,831	11,377	x	0	18,797	2,723	2,561

Exposure to interest rate risk on positions not included in the trading portfolio

Quantitative information

The exposure of the Group to interest rate risk, measured in terms of core sensitivity in a scenario of an increase in interest rates of +100 bp, on items as at 30th June 2014 amounted to approximately +€228.02 million (+€330.63 million as at 31st December 2013).

The relevant scenario for internal monitoring is that associated with a negative shock of -100 bp on the yield curve. In this case the exposure, net of the AFS portfolio for which specific limits are set, amounted to -€33.75 million (-€297.78 million as at 31st December 2013) compared with an early warning threshold set on that indicator of -€450 million.

In compliance with the Financial Risks Policy, the total level of exposure includes an estimate of the impact of early repayments (approximately -€131.97 million in terms of sensitivity).

In detail, the core sensitivity originated by the network banks amounted to approximately -€103.84 million, while approximately +€79.36 million is attributable to the activities of the product companies. The Parent contributes a total of approximately -€9.28 million.

The table below reports the exposure, measured in terms of economic value sensitivity in a scenario of an increase in reference interest rates of +200 bp, recorded in the second quarter of 2014, given as a percentage of the Tier 1 capital and total own funds.

Sensitivity analysis of net interest income focuses on changes in profits resulting from a parallel shock on the yield curve measured over a time horizon of twelve months. The analysis of the behaviour profile of on-demand items contributes to the overall determination of exposure. The UBI Group's exposure to interest rate risk, estimated in terms of an impact on net interest income of an increase in reference interest rates of 100 bp, amounted to +€84.59 million as at 30th June 2014. The impact on that income shows the effects of changes in interest rates on the portfolio monitored, excluding hypotheses of future changes in the mix of assets and liabilities. These factors mean that the indicator cannot be used to assess the Bank's future strategy.

PARALLEL SHIFT IN THE YIELD CURVE (figures in millions of euro)

Scenario	Currency	Impact on economic value **	Impact on net interest income ***
+100 BP	EUR	229.52	77.90
	Other currencies not significant*	-1.50	6.69
TOTAL +100 BP		228.02	84.59
-100 BP	EUR	-34.31	-17.37
	Other currencies not significant*	0.56	-2.02
TOTAL -100 BP		-33.75	-19.39

* Non significant currencies are defined as accounting for less than 5% of the assets or liabilities in the banking portfolio.

** The AFS portfolio, excluded from that indicator in compliance with the 2014 Policy to Manage Financial Risks, has an impact on economic value of -€124.39 million for a shock of +100 bps and of +€122.54 million for a shock of -100 bps. If that impact is included then the total exposure is +€103.63 million for a positive shock on the yield curve and +€88.78 million for the negative shock scenario.

*** The impact on that income shows the effects of changes in interest rates on the portfolio monitored, excluding hypotheses of future changes in the mix of assets and liabilities. These factors mean that the indicator cannot be used to assess the Bank's future strategy.

RISK INDICATORS

Annual average

+200 bp

Impact on economic value* / Tier 1 Capital	2.12%
Impact on economic value* / Own funds	1.50%

-200 bp

Impact on economic value* / Tier 1 Capital	3.24%
Impact on economic value* / Own funds	2.29%

End of period values

+200 bp

Impact on economic value* / Tier 1 Capital	2.57%
Impact on economic value* / Own funds	1.81%

-200 bp

Impact on economic value* / Tier 1 Capital	6.03%
Impact on economic value* / Own funds	4.26%

Statement of the Senior Officer Responsible for the preparation of corporate accounting documents

The undersigned, Elisabetta Stegher, as the Senior Officer Responsible for preparing the corporate accounting documents of Unione di Banche Italiane Scpa, hereby declares, in compliance with the second paragraph of article 154 bis of the “Testo unico delle disposizioni in materia di intermediazione finanziaria” (Consolidated Finance Act), that the information contained in this document “Pillar 3 disclosures as at 30th June 2014” is reliably based on the records contained in corporate documents and accounting records.

Il Dirigente Preposto alla redazione dei documenti contabili societari

Elisabetta Stegher

Bergamo, 8th August 2014